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THE FARM INDEX

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INDEXING

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COTTON 1974



PRODUCTION
GENERAL RECORDS

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No quick relief is in sight for livestock producers paying those record feed grain prices. Tight supply combined with brisk demand has led to a doubling of feed grain prices in the past year, and they are apt to remain strong over the next few months. Prices this summer will depend mainly on prospects for the 1974 crop and foreign sales.

Feed grain producers have reacted to the high prices by planning to up plantings in 1974. With normal weather and adequate input supplies, production should be much larger than last year's 205 million tons. It should be enough to cover needs for the 1974/75 season and allow some recovery in carryover stocks.

Use this year may not quite match last year's record 173 million tons. Production in 1973 was not enough to satisfy needs as stocks will drop to the lowest level since the early 1950's.

Despite high feed costs, some gain in fed beef production is likely in second half 1974.

The rationale:

Fed cattle marketings and placements of cattle on feed slowed last year in response to high feeder cattle prices, fatter feeding bills, and market disruptions associated with the consumer boycott and price controls. The backup of feeder cattle, together with a bigger calf crop in 1973, means a significantly larger number of cattle are available for placement in feedlots this year.

Red meat consumption will soon be on the mend after sagging to 175 pounds per person last year—the least since 1966. The consumption dropoff in 1973 was due to a 6-percent reduction in red meat output.

With the prospect of rising beef production and the probable end of a 2-year slump in pork output, total red meat supplies will begin creeping up. However, the real surge won't come till after 1974. Reason is, heavy financial losses in the cattle business last fall and continued high feed costs will limit sizable gains in beef output this year.



Re Food Prices

The present sharp increase in retail food prices is likely to slow by midyear if crop prospects remain favorable.

Further increases are likely into spring because of tightening supplies, higher farm prices, and rising costs of processing, transporting, and distributing food products. But prices will probably stabilize in the summer and fall as the large 1974 crops indicated by planting intentions come to market, and could decline slightly by the end of the year.

With good crops, at the end of 1974 prices could be only slightly higher than in the first quarter, in contrast to the sharp increase during 1973. For all of 1974, retail food prices are expected to average about 12 percent above 1973. Much of this increase already has occurred through January and February.

If crops are small or export demand balloons, retail prices could average as much as 15 percent higher than in 1973. Very large crops and sharply smaller foreign and domestic demand could hold the increase to an average of 8 percent over 1973 levels.

The production outlook is still iffy since farmers have yet to firm up their plans for 1974, and a lot hinges on which way the fertilizer/fuel situation will go. The U.S. economy, and the effect on purchasing power and food demand, pose another big questionmark.

The lard pail is being emptied out.

Production has slipped more than a tenth from a year ago, the result of smaller hog slaughter and lower lard yields per hog. The dip in output, plus reduced stocks at the start of the 1973/74 marketing year, has drained total lard supply to a near alltime low. Smaller supply is blamed for a cutback in lard use this year inasmuch as lard is favorably priced relative to other edible fats and oils. Decreased use is in store for all major outlets such as shortening and margarine and in direct use of lard.

Over the past 4 years our soybean stocks were worked down so that by last fall they were at the bottom of the bin. The 1973/74 year will be different, thanks to 1973's bumper soybean harvest. Carryover next September 1 is put at around 240 million bushels—4 times more than a year earlier.

Total soybean supplies in 1973/74 gained about a fifth from the previous year to 1.6 billion bushels. Disappearance is slated to approach 1.4 billion bushels, topping last year's record by 8 percent.

Both domestic crushings and exports should share in the expanded usage. Crushings are expected to increase to 775 million bushels from last year's 722 million, and exports to 525 million from 480 million. But exporters should be braced for stiffer competition from Brazil's soybeans and meal, Peru's fishmeal, and India's peanut meal.

Soybean farm prices, which recently sailed to the highest point of any harvesttime period, are estimated to average \$5.65 a bushel in the 1973/74 season, a big step upward from the record \$4.37 of 1972/73. Despite prospects of another good soybean crop in 1974 and next September's large carryover, farm prices will probably continue high the rest of this marketing year.

A trying year may await the fresh vegetable industry. Lack of adequate transportation in February hampered the movement of a number of fresh items from California and Arizona shipping points, including produce brought

in from Mexico. Among the vegetables most affected by transportation snags were lettuce, eggplants, tomatoes, cucumbers, and peppers. More of the same in the months ahead would spell higher-than-expected prices in grocery stores.

The 1974/75 marketing year for cotton gives promise of upping both production and usage. Mill consumption could benefit from the energy shortage, which has caused cutbacks in production of competing manmade fibers. But uncertainties abound, say ERS fibers economists.

As of late February, subsoil moisture was not up to par on the Texas High Plains. Fuel and fertilizer shortfalls were spotty. On the demand side, consumers seemed to be balking at higher prices for cotton goods, and this could mean a slowdown in textile purchases in 1974. Spot market prices for some grades of cotton were double those of a year earlier due to small stocks and lively foreign demand for U.S. cotton.

Net farm income in 1974 may skid some \$1-\$2 billion from last year's alltime high of \$26 billion. Realized gross farm income will advance about \$7 billion to around \$97 billion, according to latest projections by ERS. But the increase will be more than offset by further rises in production expenses.

On farm prices, they're expected to average higher for both livestock and crops. Better prices and larger marketing volume will lift cash receipts by around \$9 billion above 1973, with crops up at least \$6 billion. However, payments from Uncle Sam will be down sharply from last year's \$2.6 billion.

In the citrus corner, the 1973/74 crop won't quite measure up to last season's record but it is a big crop nonetheless. February indications show oranges will be off 8 percent, though still the second largest crop in history. The grapefruit crop is almost as big as last year's. Lemons, however, are projected 18 percent smaller than the 1972/73 record.

FARM

RURAL

MARKETING

CONSUMER

FOREIGN

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COTTON

1974

Cotton production and use are slated to pick up this year, though major uncertainties—like prolonged fuel shortages—may lower output and also drive up costs.

Browsing through their Sunday morning papers, certain East Coast residents were jolted by the news that dungarees might soon sell for \$20 a pair.

Blame it all on high cotton prices? You can't really, since the cost of raw cotton needed to make a pair of denim jeans usually amounts to less

than a tenth of the retail price for the finished product. Nevertheless, cotton prices are up and could get higher due to tight supplies and rising production costs.

Flooding in the Delta last spring resulted in a smaller-than-hoped-for 1973 crop. And when export demand emerged stronger than usual, it soon was apparent that cotton use during the 1973/74 marketing year would outstrip production.

In response to waning stocks, cotton prices last fall soared to their highest level since the Civil War. In

November, for example, some grades of cotton sold for 3 times the level of a year earlier.

Farmers view these prices—and the elimination of set-aside requirements—as incentives to up their cotton acreage in 1974. Planting intentions as of January 1 stood at 14½ million acres for upland cotton—a hefty 17 percent over 1973.

On the other hand, a continuing energy crisis may temper planting decisions, with farmers wondering if they can get their hands on enough fuel and fertilizer.

Bigger crop in sight. Despite numerous uncertainties, experts predict the 1974 cotton crop will easily top last year's 13 million bales, but fall shy of USDA's 14.8 million-bale goal. Reason that the anticipated harvest fails to reflect the surge in planted acres is that yields will probably retreat to normal levels of about a bale per acre.

The larger crop should help offset small carryover stocks this August and cotton supplies should increase by year's end. Nevertheless, stocks of some medium and long staple cotton are expected to get extremely tight before the 1974 crop is available.

Another key factor in the iffy cotton picture for 1974 is competition from manmade fibers. Given today's cotton prices, we would normally expect mill use of cotton to retreat in favor of manmades.

More call for cotton? But shortages of petrochemicals and other inputs have forced manmade fibers into tight supply also, stealing much of their competitive clout. As a result, textile mills may turn increasingly to cotton for their fiber needs if it looks like energy shortages will drag on.

Cotton would suffer along with other fibers if energy problems generate an overall slowdown of textile activity in 1974. But right now, economists say that cotton shows good potential for expanded use during 1974/75 and mill use may well top this season's estimated 7½ million bales.

Still another factor in the cotton scene are production costs. This year the energy crisis has added another dimension to the already uncertain business of estimating these expenses.

In making projections for 1974, however, ERS researchers assumed that farmers will continue to receive top priority in purchasing needed fuel and fertilizer—though at considerably steeper prices than last year.

Assuming inputs and practices remain the same as those used in 1972, the average total cost of producing 1 pound of lint cotton will

probably reach 37 cents, up sharply from the 28-cent average of 1964-72.

The projection assumes that yields will average 480 pounds of lint per harvested acre. If yields stretch to 508 pounds—the estimate for 1973—total costs per pound might drop to about 35 cents. Economists consider the lower yield more likely, though, due to expected gains in planted acreage and recent yield history.

The cost of production items—including interest, taxes, and wage rates—jumped 9 percent from 1972 to 1973. This year, farmers will pay almost 16 percent more for the same items. And costs of motor supplies and fertilizer are expected to soar more than 40 percent over 1973 averages.

Going back. While tight fiber markets and uncertainties about fuel may have rekindled interest in cotton's production costs, efforts to pinpoint these expenses have a long history. In fact, production cost studies were made by USDA as early as 1897.

ERS's cotton cost research program was launched in 1964 when the cotton industry was plagued by price-depressing surpluses and mounting Government stocks. Program developers recognized that the cotton industry would have to pare production costs if cotton were to remain an important part of the total fiber market.

Since 1964, five national surveys have revealed that the average cotton producer receives only modest returns to capital and management. During 1964-69, net returns to producers averaged only 2.2 cents per pound of lint, or about \$11 per bale.

When support prices aren't included in gross receipts, farmers got an average price of 25½ cents for a pound of cotton lint—about 3 cents less than the cost to produce it. During the second half of the sixties, producers in 6 of 18 study regions realized negative returns to management.

Exceptional year. Returns proved a bit more favorable in 1972, according to a survey taken early last year. In all regions, a good crop, coupled with

high yields and relatively high receipts per pound, brought improved net earnings to a majority of producers.

Even so, most regions probably would not have broken even had it not been for the support program. Economists say that without support prices and acreage restrictions during 1964-72 there probably would have been fewer cotton producers—though perhaps larger ones—in every region.

Miniproducers. The size of cotton producing units poses a continuous problem in that many are still too small to provide adequate family incomes. The 1969 agricultural census found that of roughly 200,000 farms reporting harvested cotton acreage in the 14 major cotton States, close to half harvested less than 15 acres.

Production cost surveys show that costs per unit of output run higher on very small farms growing less than 15 acres of cotton. Yields tend to be lower than on bigger farms, and labor, power, and equipment costs generally add up to a higher proportion of total production costs.

Neither cost reduction nor price support payments make up an important source of income improvement for small farms. As in the past, some will be forced out of business over time as they are unable to make the investments necessary to remain competitive or adopt cost-saving technologies.

Survey data show that most economies of size in terms of cost reductions are achieved as size increases to about 50 acres of cotton, although unit costs tend to fall off slightly up to at least 200 acres per farm. But in terms of income, 50 acres in cotton still amounts to a very small operation.

Regardless of size, many farmers are producing cotton at costs that differ sharply from national averages. Close to two-thirds of the 1964-69 upland cotton crop was produced at costs ranging below 30 cents a pound. But because gross receipts during this period averaged 30½ cents a pound, it's obvious that many

producers failed to cover their production expenses.

Meantime, in the more favorable crop year of 1972, average receipts totaled about 38 cents a pound, and close to 90 percent of the crop was produced at costs below this level.

Land of cotton. On a regional basis, production costs during the second half of the sixties were high relative to receipts in most Southeastern regions, Northeast Arkansas, the Lower Rio Grande Valley, the Texas High Plains, the Upper Rio Grande-Trans Pecos region, and central Arizona. Nonetheless, it would be incorrect to write off these areas as "high-cost," since costs and returns vary so widely among farms.

Persistent high costs during 1964-69 in the Southern Piedmont, Southern Coastal Plains, and Texas' Trans Pecos regions could lead the casual observer to conclude that these areas will soon drop out of the cotton picture. But while cotton production may have slipped in overall importance, these regions still contain many viable units that will get larger as resources become available.

In some areas plagued by steep costs, cotton production may even rise in relative importance—particularly if a majority of area planters lack more profitable alternatives.

Other of the traditionally high-cost areas have consistently gotten above-average prices. California's San Joaquin Valley is a prime example. Production of cotton will probably become more concentrated in this area as well as the Delta and Texas High Plains.

But the outlook is bleaker for most of the Southeast regions, the Trans Pecos of western Texas, the Black Prairie of Texas, and Central Arizona, where cotton's importance will likely fade in the U.S. picture.

[Based on a paper by Irving R. Starbird, Commodity Economics Division, entitled "Costs of Producing Upland Cotton in the U.S.: Procedures, Results, and Implications," presented at the National Cotton Council Beltwide Production-Mechanization Conference, Dallas, Tex., January 10, 1974, and special material provided by Russell G. Barlowe.]



Men and Milestones

WASHINGTON, D.C., Nov. 12, 1913—Alfred Charles True is elected president of the Association of American Agricultural Colleges and Experiment Stations, the first "outsider" to hold this position.

True took office at the height of a controversy between USDA and the land grant colleges over which one would conduct extension work and what methods to use.

Seaman A. Knapp and W. J. Spillman of USDA had developed the demonstration-county agent formula for reaching farmers. The colleges, meanwhile, had developed extension departments with traveling specialists conducting institutes and short courses. True worked behind the scenes to secure a compromise.

The result was the Smith-Lever Act of 1914, providing for cooperative administration and financing of extension work by the U.S. Department of Agriculture and the State agricultural colleges.

As director of the new States Relations Service, True was responsible for molding the two sep-

arate, often antagonistic, systems into today's Extension Service.

Since 1893 True had been head of the Office of Experiment Stations. There he wrote the Adams Act of 1906, which doubled the funds available to State experiment stations, and established and edited the *Experiment Station Record*.

Born at Middletown, Conn., in 1853, True was educated at Boston Latin School, Connecticut Wesleyan University, and Harvard University.

When he began his work the land grant colleges had few courses or students in agriculture. As chairman of the Land Grant College Association's Committee on Instruction in Agriculture, True developed the standards for admission and requirements for undergraduate degrees.

Between 1923 and his death in 1929, True wrote histories of agricultural education, extension work, and experimentation and research, which have since become classics. [Special material by Jane M. Porter, Agricultural History Group.]

A STEP BACK IN TIME

What was farming like back in George Washington's day? Or in Iowa in the 1840's? Today, you can see such farms in operation at several dozen Living Historical Farms around the country. Over the past 5 years, these farms have offered something new in the way of parks and recreational facilities. As the American Bicentennial approaches, they are a living reminder of agriculture's role in the growth of our Nation.

[Based on special material by Wayne Rasmussen, Agricultural History Group, National Economic Analysis Division.]



Above, carrying flax in a National Colonial Farm in Accokeek, Md. Left, "the way it used to be"—mowing oats at Old Sturbridge Village in Massachusetts.

Some Living Historical Farms show a farm as it was during the period a notable American lived on that farm, such as the Lincoln Boyhood National Memorial, Lincoln City, Indiana, and Wakefield, the George Washington birthplace east of Fredericksburg, Va.

Others, such as the Iowa Living History Farm near Des Moines (right), and the Freeman Farm at Old Sturbridge Village in Massachusetts, are typical of a particular time and area.



Farm Real Estate Values: Biggest Leap Since 1920

The index of farm real estate values rocketed by more than a fifth in the 12 months ended November 1, 1973, lifting the average value per acre from \$233 to a record \$280. The increase, at 21 percent, was also the largest posted in a 12-month period since 1920.

Nationwide the total value of farm real estate advanced to \$293 billion, up from \$245 billion in November 1972. Mainly responsible for the surge—according to ERS analysts—were record net farm income in 1973, farmers' optimism about the future for U.S. agriculture, and greater availability of mortgage funds.

Colorado's real estate values led the way with a gain of 33 percent, followed by Pennsylvania (31), South Carolina, Alabama, and Iowa (each with 30).

Louisiana reported the lowest growth rate—10 percent—but this still topped the 7-percent average gain for the U.S. over the past decade.

Since March 1967, farmland values have soared 70 percent. Increases by State varied from 27 percent in California to 186 percent in Nevada.

Some indication of how land transfers were financed in the past year comes from an ERS realtor survey

taken in October 1973. Of the nearly 7,200 land transfers on which data were reported in the previous 6 months, over 85 percent were credit financed and the average purchase price was \$118,000. Sellers were the largest single source of funds, supplying about 41 percent of the total.

Federal land banks ranked next with 28 percent, followed by commercial banks and insurance companies with around 10 percent. The remaining three types of lenders—"other individuals," Farmers Home Administration, and "others"—collectively loaned about 11 percent.

According to the October 1973 survey, interest rates charged on farmland purchases averaged 7.5 percent for all loans, from a high of 8.2 percent for commercial banks to a low of 5.0 percent for Farmers Home Administration.

Experts say farmland values will probably rise more slowly over the next year, based on these projections—prices paid by farmers to increase at a faster rate than prices received; farm program payments to be nearly eliminated; recovery of world food production to reduce future demand for U.S. farm exports; and a less expansionary monetary policy.

[Based on *Farm Real Estate Market Developments*, Supplement No. 1 to CD-78, by William D. Crowley, National Economic Analysis Division.]

Steady Supply Would Cut Hog Packers' Costs

Hog packers could trim their costs by at least 10 percent if slaughter supplies fluctuated less, a new simulation study by ERS and Michigan State says. Most of cost savings can be attributed to seasonal fluctuations which are extremely difficult to change.

At present the total hog supply fluctuates widely from day to day and season to season, partly because there's little coordination between the operations of producers and packers. The lack of a dependable supply source makes it difficult for the packing industry to run at peak efficiency.

Using a simulation model which assumed that packing plants had control of supply via some form of coordination, researchers calculated that potential dollar savings would come to about \$1.80 per head for a plant with an hourly capacity of 50 hogs and \$1.02 for one with 600 hogs. The potential cost reduction for the five plant sizes studied—with capacities ranging from 50 hogs per hour to 800 hogs—averaged \$1.33.

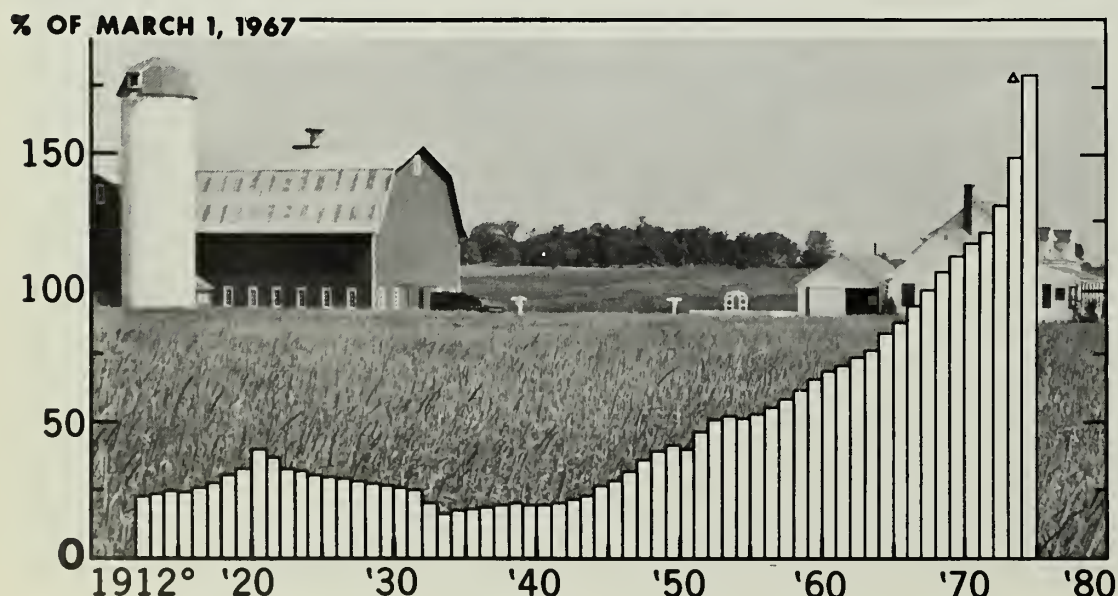
Most of the saving could be achieved by regulating the seasonal supply rather than the daily supply. Market hog supply control of the magnitude illustrated here would require modification of production, marketing, and consumption patterns. The costs involved in implementing such programs were not considered.

There are a number of ways fluctuation in hog supplies could be reduced, including marketing and production contracts, verbal agreements between packers and producers, and by packers farrowing and/or finishing butcher hogs. The study assumed no specific form of supply control.

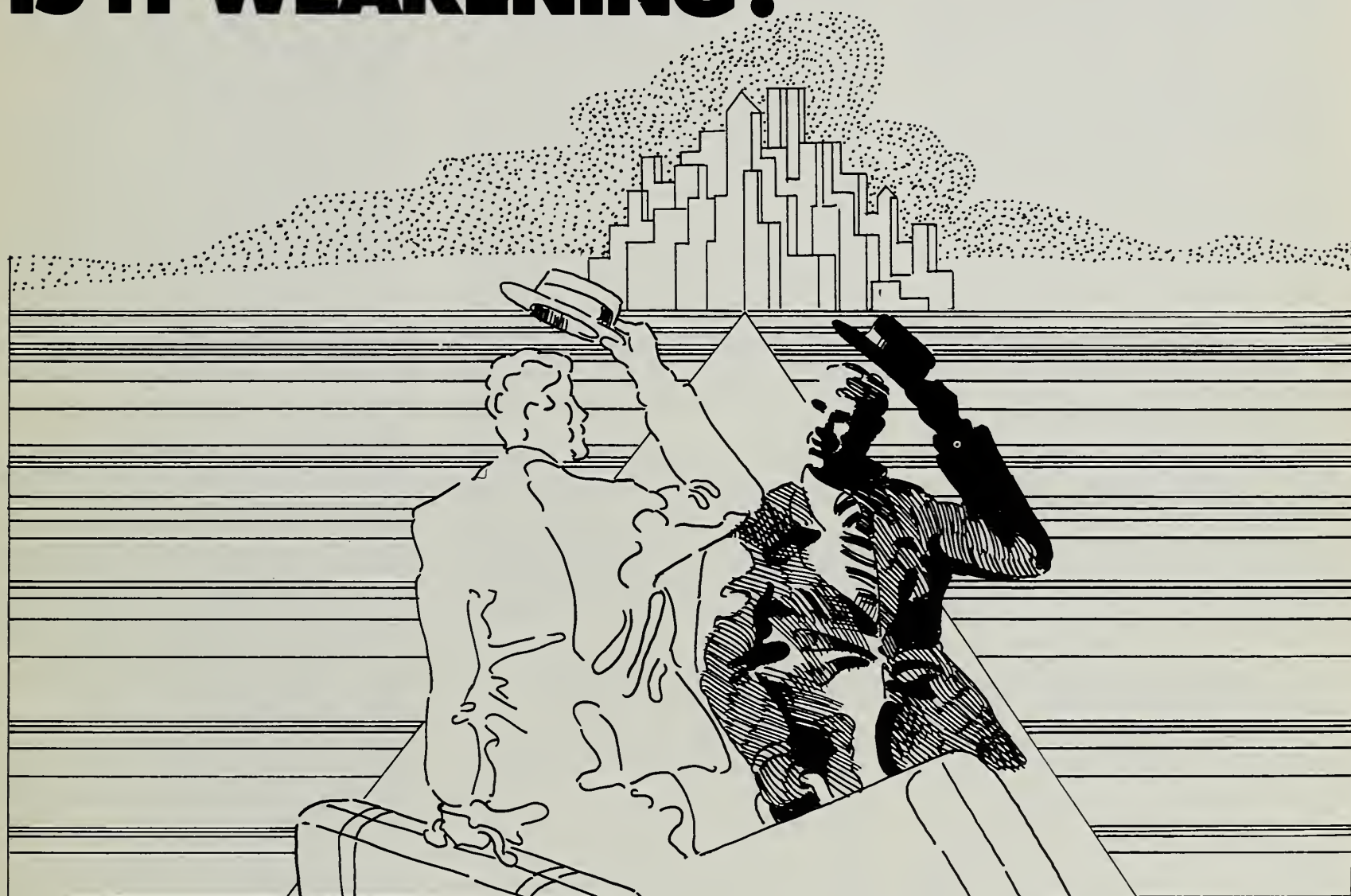
The report is part of a much larger project involving the production and marketing of hogs and pork.

[Based on manuscript *Market Hog Supply Control Savings for Hog Slaughtering Processing Plants*, by J. B. Holtman, Michigan State University, and J. D. Sullivan and H. F. Barreto, National Economic Analysis Division.]

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MAGNETISM OF THE CITIES IS IT WEAKENING?



Many rural folks have been turning their backs on the cities, as witnessed by a spurt in nonmetro populations. An ERS demographer tells why it's happening.

"Hello, country. Goodbye, city."

Get used to that refrain because the great tide of outmigration from rural areas has receded and even shows signs of reversal.

One indication is this set of numbers compiled from Bureau of the Census data: the population of nonmetro areas grew 3.1 percent between

April 1970 and July 1972 compared with only 2.2 percent for the metro areas. The absolute increases came to 1.7 million in the nonmetro places and 3.3 million in the Nation's metro areas.

"The difference in growth rates is wide enough," in the opinion of one ERS demographer, "that there is little likelihood it could result from imperfections in estimating procedures.

"We appear to have arrived at the point where a truism of generations—namely that population in Ameri-

can metro areas increases more rapidly than nonmetro areas—is no longer valid."

Pulling power. Is the magnetism of the cities wearing off? Or, is the pulling power of the countryside getting stronger? Perhaps a little of both, but the evidence points mostly to the latter.

New industry, recreation, second homes, and retirement communities in tranquil settings are just a few reasons why people are retracing their steps to America's heartlands.

The upshot was a major reduction

in net outmigration from nonmetro areas in the sixties. From 1950 to 1960, net outmigration rounded out to 5.5 million, but the drain diminished to 2.2 million during the past decade.

The phenomenon was so widespread that of the 2,272 nonmetro counties that experienced net outmigration in the 1950's, 1,946 had improved population retention the next decade. Their rate of population loss was either reduced, altogether eliminated, or converted into a net population increase.

Harbinger. A showcase of rural population turnaround is the Ozark-Ouachita region. What happened here could well be a precursor of things to come in other rural places, says the ERS demographer.

For orientation to the Ozark-Ouachita region, turn to a large map of the U.S., or preferably, a map showing Missouri, Arkansas, and Oklahoma. In southern Missouri and northern Arkansas, you'll see the Ozark Plateau. Below that is the Arkansas Valley and the Ouachita Mountains, stretching westward into Oklahoma.

About-face. After losing 12 percent

of their population in the 1950's, an oval-shaped mass of 72 all-rural counties—together the size of a State—recouped the 12 percent in the 1960's and then some.

Today the Ozark-Ouachita region can boast of job opportunities and improved community services—besides scenic beauty and relatively cheap land. It has over 1.3 million people.

If you had to pick any one factor responsible for rural America's revival, it would have to be new jobs. Between March 1970 and March 1973, nonmetro areas reported an increase of 7.8 percent in jobs compared with 3.6 percent in the metro areas.

Unlike the 1960's when manufacturing employment was the only main industry group with higher growth rates in nonmetro areas, the 1970-73 figures indicate higher nonmetro growth in every component except government.

Moreover, the 1960's saw a pickup in recreational activity and retirement in rural places. Many rural retirement areas were established or enlarged in the Ozarks, central Texas, and northern Michigan and Wisconsin,

as well as in the better known districts of Florida and Arizona.

The era of dam building in the fifties and sixties brought sizable reservoirs, followed by rural settlement. The nonmetro counties of the South with reservoirs of 50 or more square miles increased in population by an average of 10 percent in the sixties, well above that for the nonmetro South as a whole. In addition, the development of the interstate highway system made out-of-the-way rural counties more accessible.

Gainers and losers. Not every rural county can make claim to net population growth. The gains and losses have a definite geographical pattern.

Hefty population increases have been scored in rural areas near the metro counties of the Lower Great Lakes and the Northeast, in the Far West, the Florida peninsula, and in the textile areas of the Southern Piedmont.

The growth of rural populations in the Northeast and around the Lower Great Lakes is clearly linked to the basic metropolitan character of these regions. However, between the metro areas are scores of counties whose economic base has expanded by virtue of being close to metro markets but whose residential character remains rural and small city.

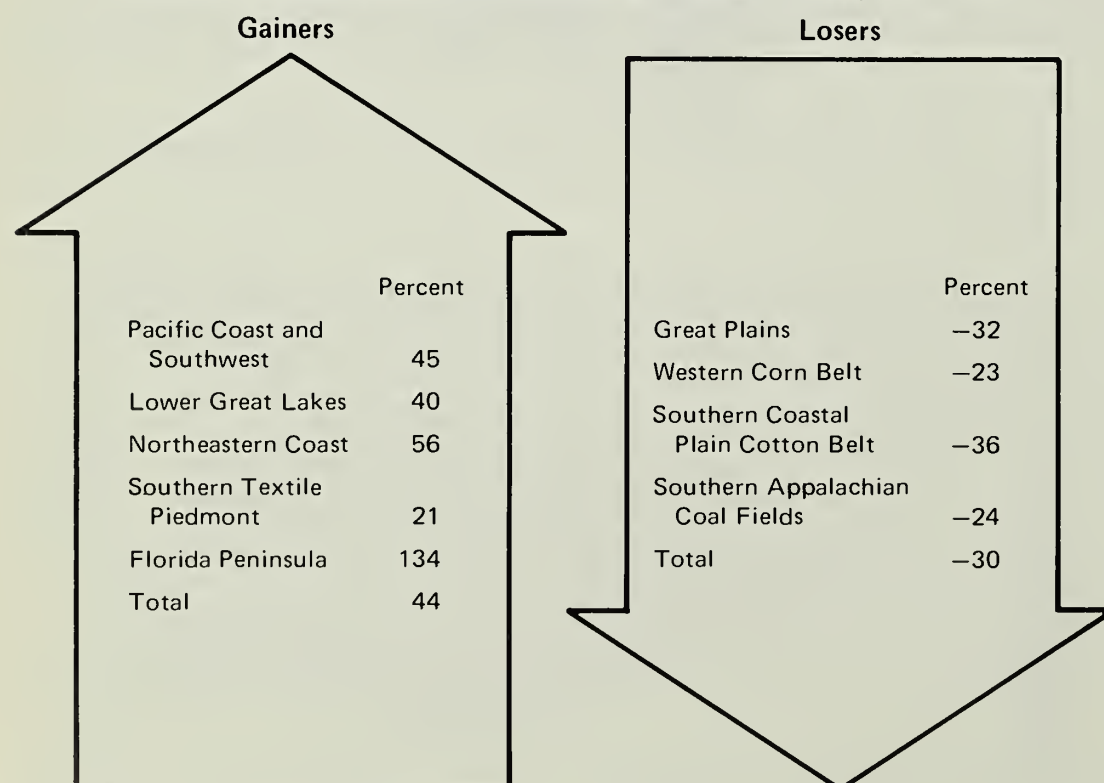
The mix of population in such counties is more diverse than in the declining areas and the age structure is more normal. They have received a fair proportion of people of metropolitan background, without having become highly urban. Agriculture may co-exist with other industries, yet it has been many years since rural was synonymous with agriculture.

Heavy losers of population include the Great Plains States, the Western Corn Belt, the coal areas of southern Appalachia, and the old Cotton Belt of the Southern Coastal Plain.

In the declining areas, prolonged outmigration has left footprints on the composition of the population and on settlement patterns.

Aging population. In the Midwest and Great Plains the average age of

MAJOR CHANGES IN RURAL POPULATION, 1940-70



Source: U.S. Censuses of Population.

Rural Commuters

Rural areas would not be doing as well today were it not for good highways.

In 1970, 24 percent of all rural workers commuted to another county. In places of 2,500 to 9,999 population, 16 percent commuted to work and 11 percent in non-suburban cities of 10,000 to 49,999 people.

The point is, worker commuting has permitted the population of many rural locations to stabilize or increase regardless of job conditions.

Much of the travel is from little places to nonmetro cities of 10,000 to 49,000 population. These nonmetro cities, incidentally, are the most self-contained in our entire settlement network. Their citizens are far less likely to motor to other counties for jobs than are residents of any other type of settlement.

residents has gone up with the steady exodus of young people. By 1970 there were 80 counties where the median age exceeded 40, and there often were more people in their seventies than in their twenties. In effect there are more people likely to die than bear children.

Also in the declining areas, people tended to move from the open country and into town, with the possible exception of the South, since 1960. The open country population of the West North Central States, for example, dropped by 10 percent in the sixties but the nonmetro towns increased 6 percent after a rise of 9 percent in the 1950's.

Going to town. Part of this trend shows that more farmers would rather live in town and commute to the farm, although some of it stems from the fact that despite reduced manpower needs on the farm, farm sales have gone up and have sparked economic activity in the town businesses serving agriculture.

In the South, the climate, timber, water supply, and the culture itself have encouraged a greater tendency to live in the countryside and to locate more services there. Even in old

age, rural Southerners have been less likely than Midwesterners to move into town.

The rapid exodus from cotton farming—particularly in the 1940's and 1950's—removed many people from the Southern countryside, without affecting the towns as much. But by the 1960's, the growth of nonagricultural employment, commuting, and recreational and retirement areas had helped greatly to increase the retention of people.

Pro rural growth. The ERS demographer who made these observations believes that over the long pull, both economic and social conditions seem to favor growth of population in the nonmetro areas. He says, "Classical doctrines of economies of scale and advantages of concentration are not sufficient premises to continue the pace of metro growth when countered by the costs and fears of urban crime, pollution, traffic, land costs, or labor rigidities."

This does not mean, however, that rural areas and small cities are necessarily immune to economic depression and renewed outmigration. Most of these areas will remain quite dependent on a few types of work and will be susceptible to technological change and shifts in market demand, among other things.

Energy search. In the short run, some rural economies will be stimulated by the renewed hunt for oil, gas, coal, and timber resulting from the fuel shortage. But the fuel shortage also poses a threat to rural areas, more so than to the urban centers. Rural workers typically have to drive longer distances for work or services.

Too, many recreation and second home areas are reachable only with a relatively unrestricted availability of fuel. And certain manufacturing industries—among the fastest growing in nonmetro areas in the past—depend on demand for recreation products and home building.

[Based on an article by Calvin L. Beale, Economic Development Division, entitled "Population and Settlement Prospects," appearing in the *Journal of Soil and Water Conservation*, a special issue on rural development.]

U.S. Poor Have More In Common Than Poverty

Who is most likely to be counted as poor?

Results of the 1970 Census of Population reveal that of the 27 million persons with 1969 incomes below the poverty line, a disproportionate share were members of minority races, people living in totally rural counties, and those living in the South.

Also most apt to be poor were unrelated individuals, persons in families headed by a female, and those 65 years old and over.

The formula for determining poverty, or the minimum income need of a household, varies with family size, sex of the family head, number of children under 18, and farm or nonfarm residence. It is adjusted annually for changes in the cost of living. In the 1970 census the poverty line ranged from \$1,487 to \$6,116.

In general, the incidence of poverty was much higher in nonmetro than metro counties, especially in counties with no urban residents. In 1969 the rate was 20.2 percent in nonmetro counties versus 11.3 percent in metro areas.

The difference was even more striking when comparing totally rural counties not adjacent to a Standard Metropolitan Statistical Area (SMSA) with counties on the fringes of greater metropolitan areas. Rural counties which were not adjacent to an SMSA had a poverty rate of 27.4 percent against only 6.5 percent for the fringe counties.

Poverty among racial minorities was far more widespread than for the U.S. as a whole. A third fell below the low-income threshold compared with one-seventh for the total U.S. population. In the nonmetro counties only, over half the minorities were poor.

About two-fifths of all low-income people lived in nonmetro areas, and nearly one-fourth of the U.S. total were in the nonmetro South.

[Special material from Fred K. Hines, Economic Development Division.]

WHAT MAKES

Dear Mr. Butz,

I just heard a radio report that the wholesale price of beef has risen 33 $\frac{1}{3}$ percent during the last 6 weeks!!

What's going on—you promised us that the price of beef would go down.

How much longer must the consumer suffer at the hands of the farmer! Don't forget that you are supposed to represent every American, not just a select few . . .

Letters like this have flowed into USDA since beef prices hit historic highs last August. This one came last month from a consumer in Brooklyn, and it points up some of the confusion—particularly among urban people—about what makes meat prices.

Most letters about food costs are directed to ERS for reply. There, commodity specialists draft responses after researching the basic factors of cost, prices, and outlook that are involved.

Misconceptions. Consumers' letters about meat prices generally express concern about mounting prices, dismay that the prices failed to drop as expected, as well as three popular consumer illusions:

- ✓ farmers are gouging consumers,
- ✓ farmers can set market prices for their crops and livestock, and
- ✓ USDA controls prices.

All these are misconceptions. What are the facts?

Getting back to that letter from the Brooklyn correspondent, the writer commented on rising *wholesale* prices. Thus he may be a wholesaler, retailer, or restaurateur—as well as a consumer. Mounting wholesale prices usually pose little problem for meat distributors since they can pass through higher costs in their selling prices. For consumers, higher

wholesale prices most often translate into higher retail prices.

Pushing production. The best way to assure adequate meat supplies at reasonable prices is, of course, to step up livestock production. USDA has taken steps to encourage larger output of livestock as well as larger production of the grains needed to feed animals to market weights.

But boosting livestock and meat production takes time—11 to 14 months for hogs and pork, and at least 25 months for cattle and beef, from breeding to slaughtering.

Meantime, prices tend to reflect the balancing of factors in using up existing supplies.

Prices are affected by the seasonal changes in livestock marketing and dressed meat production, along with current consumer demand and disposable incomes. One reason for recent high meat prices was that the seasonal market flow of beef and pork was running below last year's levels while consumer demand had picked up.

Farmers can be losers. Letters from urban areas frequently imply that consumers suffer economic injustice at the hands of the farmer. What consumers often don't know is that from time to time, farmers and feeders suffer substantial net operating losses. This happened to cattle feeders last fall and the losses continued for several months. Meat packers and retailers also endured losses on meats last summer because of price ceilings.

Last spring, consumer resistance to high retail meat prices and subsequent boycotts touched off a lot of uncertainties in the meat market, and caused some losses to producers. More recently, cattle feeders' losses proved substantial—due mainly to mounting costs for feeder cattle, labor, and feed, along with falling prices for fed cattle.

Cattle in feedlots need 8 to 11

pounds of grain and concentrates to produce 1 pound of weight gain. They're fed for 5 to 6 months for a total weight increase of 350 to 450 pounds per head. During the feeding period, changes may occur in the cost of feeds or market prices of fed steers.

Farmers don't set fed steer prices. Rather, the prices are derived



MEAT PRICES

through various stages of the marketing system—initially from consumer demand and incomes, less costs to process, transport, cut, package, and retail—balanced against current supply.

When market prices for fed steers drop below feeders' costs, the feeders lose money. And when this happens, feeders tend to react by feeding fewer cattle.

Price ceilings on beef were lifted last September. Within a few weeks market prices for Choice steers fell and for several months ranged well below costs already incurred by feeders. Feeders who marketed cattle during the fall reported losing \$70 to \$200 per head or more—occasionally for several thousand head. Many of these producers then had trouble paying off bank loans used to finance their feeding enterprises.

Cattle prices strengthened during December and, by January, were near break-even levels to cover feeders' costs. Meantime, U.S. average retail beef prices had been trailing off—from about \$1.45 per pound in September to \$1.35 in December.

Of cuts and carcasses. These prices may seem "low" compared with those paid recently at the supermarket. But that's because they're averages for all retail cuts from one beef carcass, weighted by their percentage yields obtained in cutting the carcass for the retailer's meat case. In other words, there are relatively fewer T-bone and Porterhouse steaks, and more chuck roasts and hamburger, in a side of beef than most consumers realize.

Composite retail beef prices tend to average higher for cities in the Northeast than for the rest of the country. That's mainly because of longer shipping distances from major meat processing areas and higher wage rates for handlers and retailers.

Against falling fed cattle prices and mounting feeders' losses, average retail prices for beef in every

region remained fairly stable during November and December. But by mid-January, retail prices moved back up.

What's in store. In coming months, retail meat prices may creep up, leap up, or even bounce up and down . . .

The creeping pace may be set by a reduced volume of cattle marketings during early 1974 compared with last fall. The reason: farmers placed fewer cattle on feed during those autumn months when nearly every lot of fed cattle was sold at a loss.

On the other hand, prices may rise further if transportation or processing costs rise. But prices may also fluctuate—and so may beef supplies at retail stores—if consumers stage another boycott, or if transportation and processing operations are interrupted.

Many letters to USDA ask for lower meat prices. Everything consumers buy costs more, but food prices are particularly noticed. The fact is, prices have to cover production costs or farmers will simply produce less. Farmers can't be expected to keep producing only to suffer additional losses. Many farmers still feed cattle to sell only once or twice a year, and must endure their losses as reduced income during the entire next year.

Market's way. In short, the market offers farmers a take-it-or-leave-it price for their fed steers. And for months at a time, prices they can get may fail to cover costs already incurred for the market-ready cattle.

Under these circumstances, the farmer can ill-afford to hold his cattle longer and feed them more, merely hoping for improved prices. And when the feeders lose money, they absorb the loss, which may result in curtailed production over the short run.

[Based on special material by Donald B. Agnew, Commodity Economics Division.]



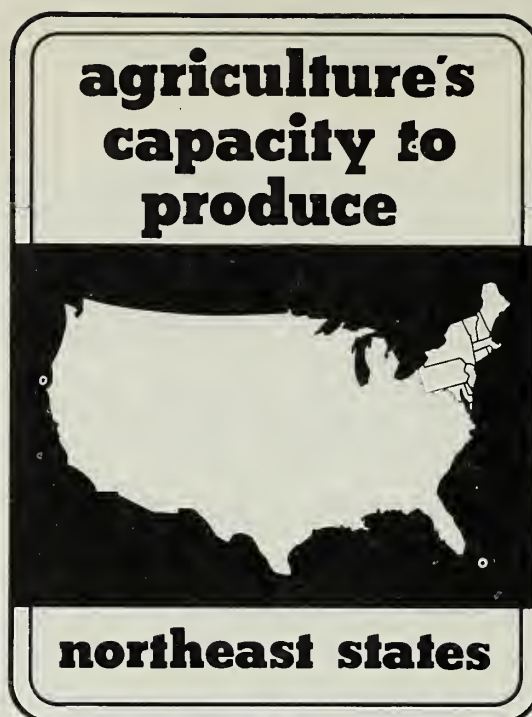
Back in December, The Farm Index reported on U.S. agriculture's overall production capacity by 1985. This month begins a closer look—by region—of ERS projections.

Agriculturally speaking, the Northeast appears to be in good shape to meet its share of the Nation's needs to 1985.

In its major study projecting production, yields, and acreages to 1985, ERS researchers find that demand for U.S. agricultural production could go up for all principal commodities except oats, tobacco, and sheep.

The 11 Northeastern States* are projected to increase their production of half of the 16 commodities included in the study (see table). The Northeast is also shown to exceed the overall U.S. rate of increase for barley, rye, oats, and milk. With U.S. milk production projected to increase only two-tenths of 1 percent over the 1970-72 level by 1985, the Northeast's faster growth rate of 10.6 percent will give it a larger

* Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Delaware, and Maryland.



share of the fairly stable national market.

Yields to rise. Yields of the major crops in both the U.S. and the Northeast are projected to increase from 7 to 28 percent by 1985 compared with 1970-72. Northeast yield gains are projected to exceed U.S. crop yield gains for six commodities—wheat, rye, oats, barley, soybeans, and potatoes.

The acreage of cropland used for crops rose slightly during 1972 to 12.9 million acres in the Northeast region. Estimated productive capacity is projected to rise to 13 million acres by 1985.

The researchers note that abandonment of cropland has nearly ceased and the small amount of abandonment plus urbanization will be counterbalanced by reclamation and a return to production of some land in areas where fairly large fields are possible. However, not much expectation is held for return to crop production where uneven terrain, small fields, and small holdings are the rule.

In addition to cropland, there are some 23 million acres in Land Use Capability Classes I-III in other uses, principally forest and pasture. Much of this was formerly cropped, and a little may be returned to cropping, offsetting loss to urban uses and highways and some continuing abandonment.

Peak in last century. In terms of cropland acreage used for crops, the Northeast probably saw its peak in the last century. Land has been going out of crop production in this region

THE U.S. AND THE NORTHEAST'S AGRICULTURAL PRODUCTION, 1970-72 AND 1985

	1970-72 Average			1985 Projections				
	U.S.	Northeast	Northeast's Share of U.S. Production	U.S.	Northeast	Northeast's Share of U.S. Production	U.S. 1985	Northeast 1985
							As Percent Of U.S. 1970-72	As Percent Of Northeast 1970-72
	Millions		Percent	Millions		Percent		
Wheat	1,505 bu.	20.2 bu.	1.3	1,528 bu.	17.6 bu.	1.1	101.5	87.1
Rye	39 bu.	1.5 bu.	3.9	43 bu.	2.8 bu.	6.4	112.2	186.7
Corn	5,089 bu.	156.2 bu.	3.1	6,613 bu.	185.1 bu.	2.8	129.9	118.5
Oats	831 bu.	42.3 bu.	5.1	752 bu.	50.2 bu.	6.7	90.5	118.7
Barley	434 bu.	14.9 bu.	3.4	557 bu.	20.5 bu.	3.7	128.2	137.6
All Hay	128 tons	12.2 tons	9.3	138 tons	11.1 tons	8.1	107.3	91.0
Soybeans	1,193 bu.	12.4 bu.	1.0	1,800 bu.	15.4 bu.	0.8	150.8	124.2
Tobacco	1,788 lbs.	64.7 lbs.	3.6	1,665 lbs.	62.5 lbs.	3.8	93.1	96.6
Irish Potatoes	313 cwt.	59.8 cwt.	19.1	357 cwt.	67.2 cwt.	18.8	113.8	112.4
Cattle and Calves	40,020 lbs.	1,036.0 lbs.	2.6	55,051 lbs.	985.9 lbs.	1.8	137.6	95.2
Hogs	22,174 lbs.	327.7 lbs.	1.5	27,484 lbs.	261.9 lbs.	1.0	123.9	79.9
Sheep and Lamb	1,051 lbs.	15.5 lbs.	1.5	407 lbs.	6.1 lbs.	1.5	38.7	39.4
Chickens ¹	1,173 lbs.	179.1 lbs.	15.3	1,452 lbs.	196.8 lbs.	13.6	123.8	109.9
Turkeys	2,297 lbs.	69.6 lbs.	3.0	3,381 lbs.	62.4 lbs.	1.8	147.2	89.7
Eggs	69,400	10,219	14.7	75,484	10,057	13.3	108.8	98.4
Milk	118,640 lbs.	24,166 lbs.	20.4	118,850 lbs.	26,728 lbs.	22.5	100.2	110.6

¹ Does not include broilers

at a rapid rate for some years.

The historical high at 25.4 million acres was almost double the 1973 cropland acreage in the Northeast.

Until recent years, abandonment of cropland has been running at a rate of 300,000-500,000 acres a year. Reclamation has been running at about 10,000 acres a year, mainly a result of drainage in the Delmarva Peninsula. Urban expansion and highway building have taken about 150,000 acres of land—possibly 70,000 acres of cropland—annually over the past 20 years.

In its projection, ERS finds that neither the Northeast—nor the U.S. as a whole—would experience any land constraint in producing the major commodities to 1985.

In fact, the Northeast would need about 950,000 fewer harvested acres in 1985 than were used in 1970-72 to produce nine selected crops. Crops for which fewer acres will be required to meet 1985 production projections include wheat, corn, oats, hay, tobacco, and potatoes. More acres will be required for rye, barley, and soybeans.

Thus, using conservative crop yield and export demand projections, the researchers find the Northeast will have adequate cropland to produce its projected share of U.S. crop output.

And if demand were higher . . . The study also explored agriculture's capacity under conditions of an optimistically high export demand by 1985. Such a development would require a continued movement toward freer trade and a U.S. comparative advantage in international trade of food and fiber commodities.

Specifically, U.S. feed grain exports under this alternative would reach 56.3 million metric tons by 1985 as opposed to 34.5 million assuming continued barriers to freer trade and a conservative growth in U.S. exports. (The 1969-71 average for U.S. feed grain exports was 20.9 million metric tons.) Soybean exports in 1985 would reach 30.6 million metric tons under the high demand assumption as opposed to 25.8

million in the more conservative projection—up from an average of 11.6 million in 1969-71.

To produce these higher export quantities would require an additional 10.1 million harvested acres for feed grains and 4.5 million acres for soybeans in the U.S. The Northeast's share of this increase would require an additional 320,000 acres for feed grains and another 50,000 acres for soybeans.

This would be well within the productive capacity of the Northeast and the U.S., and would require only a moderate increase in feed grain and soybean prices to provide the incentive for the required production. [Based on manuscript entitled *Agricultural Production and Land Use Projections to 1985 for Northeastern Agriculture*, compiled by Virden L. Harrison, and Leroy Quance, National Economic Analysis Division.]

Growth Rate Slows For Farm Real Estate Taxes

Although farm real estate taxes increased for the 30th consecutive year in 1972, farmers faced the smallest rise in 8 years. Nationwide, the increase averaged about 4 percent, or 11 cents per acre.

Per acre taxes, averaging \$2.74 in 1972, were higher in 42 States, with the greatest increase—nearly 22 percent—in Oklahoma. Seven other States showed increases of 10 percent or more.

Taxes per acre declined in eight States—Alaska, Delaware, Iowa, Kansas, Minnesota, New Hampshire, Utah, and Wisconsin. Decreases ranged from 1 percent in Delaware to 17 percent in Alaska. Tax reductions resulted from such factors as preferential assessment laws for agricultural lands, increased State aid for schools, local government spending limitations, local school tax reductions, and Federal revenue sharing.

The average tax per dollar of market value decreased in 1972 as rising farm real estate values outpaced taxes. The rise in market values of almost 8 percent lowered the average

tax from \$1.21 per \$100 of value in 1971 to \$1.15 in 1972. This was the first decline since 1964.

The percentage of farmers' personal income going for farm real estate taxes dropped from 8 percent in 1971 to 7 percent in 1972. These taxes took 4 percent of 1972 gross farm income, the same percentage as in 1971.

[Based on *Farm Real Estate Taxes—Recent Trends and Developments*, RET-13, by Jerome M. Stam and Eleanor L. Courtney, Economic Development Division.]

1974 Farms Estimated At 2.8 Million, Down 1 Percent From 1973

U.S. farms in 1974 are estimated at 2,821,000—down 1 percent from 1973 and continuing a steady annual drop that began in 1936.

In its latest report on farm numbers and land in farms, USDA put 1973 farm numbers at 2,844,000—down 1 percent from a year earlier.

The 1974 preliminary estimate for the land in farms is 1,087 million acres, down slightly from the 1973 figure of 1,090 million.

Meanwhile, the average farm size continues to grow larger due to the fact that the number of farms is decreasing faster than the total land in farms. The average farm size for 1974 is estimated at 385 acres, up from 383 acres in 1973 and 381 acres in 1972. In 1963, farms averaged 322 acres.

Taking the 1972-74 period, North Carolina showed the greatest loss in farm numbers—down 5,000 to 135,000. Iowa's farm numbers dropped 4,000 to 137,000, and South Carolina by 3,000, to 47,000. Only one State—Hawaii—showed an increase in farm numbers, from 4,100 to 4,300.

Arizona showed the greatest decline of land in farms in 1972-74—1.2 million acres. However, most States showed far less of a decline, if any. Montana was second to Arizona with a 700,000-acre drop in land in farms.

[Based on SpSy 3 (1-74), Statistical Reporting Service.]

Vanishing Veal

Just this past year, veal production again went down, this time by a fourth from the year before. And veal prices are rising faster than for other meats. Just what's causing this . . . and what's ahead?

It was to be a simple dinner party, just the four of them, and a dish they all liked—veal scallopini.

But when the cash register rang up \$13 for the meat alone, it tolled the end of veal for them . . . at least for a long time to come.

Over the past 20 years, veal production in the U.S. has plummeted and prices soared. A look ahead indicates even more of the same, according to ERS livestock specialists.

Veal production dove 24 percent last year and is now about a third of what it was 20 years ago.

As for prices, retail figures from the Bureau of Labor Statistics show veal cutlets went up 115 percent over the past 10 years.

By comparison, pork chops went up 80 percent during this same period, sirloin steak 60 percent, and hamburger 100 percent.

Behind the case of the vanishing veal are two major forces.

First, the main source of supply for veal—dairy calves—is shrinking. Last year's dairy calf crop was about 10 million head—half what it was 20 years ago. Paralleling this has been the decline in total calf slaughter.

Second, the strong demand for beef—and strong prices—have drawn increasing numbers of dairy calves into beef production. The bulk of the calves slaughtered for veal are heifers that aren't needed for replacement in the dairy herd. Steers are generally raised for feeders to meet the demand for beef.

The decline in production has brought veal consumption down to an average of 2.2 pounds per person last year—less than a fourth what it was 20 years ago.

Meanwhile, beef consumption has climbed by nearly 40 pounds—reaching 116 pounds per person in 1972.

By comparison, pork consumption has shown no real trend. In 1972, it



was 67 pounds per person.

With the continued decline in dairy herd numbers in prospect, and continued emphasis on beef, there's not much expectation around ERS that veal will do anything but continue to go down in production and up in price.

The only question revolves around what rising feed prices might do to veal production. Continued higher feed costs, in reducing demand for feeder cattle, could eventually stop, or even reverse slightly, the down-trend in veal production.

The situation in the U.S. is somewhat paralleled—though to a much lesser degree—in Europe, probably the world's major user of veal.

For example, France—traditionally both a strong consumer and producer of veal—has probably seen more change in the veal picture in the past 2 years than in the past 20.

On a per capita basis, the French had been eating about 16 pounds of veal a year since the 1960's. That figure suddenly dropped to 14 pounds in 1972.

Production over nearly a 20-year period had declined about 7 percent, but 1972 saw a sudden drop of 15 percent from the year before.

As in much of the rest of Europe, the tendency is away from veal production and toward feeding cattle to heavier weights because of tight beef supplies.

And as in the U.S., the price of veal is rising at a faster rate than for beef, and that has had some effect on consumers' buying habits.

Still, the French eat about a pound of veal for every 3 pounds of beef they consume compared to our ratio of 1 pound of veal to nearly 60 pounds of beef.

Of the more than 1.3 million metric tons of beef and veal produced in France in 1972, about a fourth of production was veal. In the U.S. that same year, about 2 percent of our total beef and veal production was veal.

[Based on special material from John T. Larsen, Commodity Economics Division, and Lorin O. Lovfald, Foreign Demand and Competition Division.]

Farewell to The 10-Cent Candy Bar

When the dime drops down but the knob won't pull, don't shake the candy machine! Shake your pocket for another nickel, because the 15-cent candy bar has arrived.

That especially goes for candy made with chocolate, prices of which have shot skyward over the past year due to a tight world supply of cocoa beans and cocoa products. In 1973 U.S. cocoa bean prices averaged 64 cents per pound, about double the 1972 level.

Record high cocoa prices, though, are not entirely to blame for the jump in candy bar prices. Prices have also risen sharply for other ingredients, such as sugar, corn syrup, nuts, fats and oils, and dairy products, not to mention the costs of manufacturing and delivery.

[Based on special material by Frederick D. Gray, National Economic Analysis Division.]

Sales of Ornamentals Blossom Out

Our environment should be becoming more pleasant, at least to the eye, if sales of ornamental plants are any indication.

According to the U.S. Census of Agriculture, Americans bought a record \$824 million worth of ornamentals in 1970 compared with only \$460 million in 1959. Favorites were cut flowers, flowering and foliage plants, and florist's greens. These plants accounted for more than half the value of sales. Next in line were nursery crops with about one-third of the sales. Sod, bulb crops, and flower seed crops made up the remainder.

Flowering plants and cacti have been steadily rising in popularity. In 1949, these plants had sales of \$27 million but by 1970 accounted for \$126 million—a whopping 368-percent increase. Of course, some of this growth was due to inflation.

Nursery crop prices, particularly those of trees and shrubs, have been

increasing rapidly. For instance, the value of deciduous shade and flowering trees sold during 1949-70 jumped tenfold, but the number of trees sold went up only 3½ times.

Although the value of ornamentals produced in all regions of the country rose during 1949-70, the South Atlantic, Mountain, and Pacific States became relatively more important than other regions, reflecting the burgeoning flower production in Florida, Colorado, and California.

In 1970, California produced approximately 30 percent of the cut flowers, and Florida, about 10 percent. Colorado produced nearly 7 percent, specializing in carnations.

Foliage plant production—highly specialized and integrated—has become extremely concentrated. Florida alone accounts for 45 percent, and California another 15 percent.

Production of nursery crops (mostly trees and shrubs) has also become more concentrated. In 1970, California accounted for one-fourth of nursery product sales.

Although the 1970 Census of Agriculture collected data on sod production for the first time, certain patterns of concentration were evident. The East Central States produced 30 percent of the U.S. total. Florida produced another 15 percent.

One ornamental that has not followed the trend toward concentration is the flowering plant. Primarily due to the product's weight and high shipping costs, production has remained more localized. California is the biggest producer, accounting for 12 percent.

Following the general agricultural trend, ornamentals are being produced by fewer and larger firms. For example, greenhouses and nurseries declined from 45,000 in 1949 to 18,000 in 1969, but sales rose 138 percent in value.

Garden supply stores have become increasingly important as markets for ornamentals. Between 1958 and 1967, these stores grew in number by 170 percent to reach 3,031 with sales of nearly \$400 million.

Other leading suppliers of orna-

mentals are retail florist shops and agricultural service industries. In 1967 there were over 22,000 retail florist shops with sales of slightly over \$1 billion. The service industries, offering landscape planning and counseling, lawn and garden services, and tree and shrub maintenance, numbered nearly 14,000 in 1969 and reported gross receipts of \$576 million.

Ornamental plants have also blossomed in the U.S. trade picture. Value of U.S. exports increased from less than \$1 million in 1949 to nearly \$13 million in 1972. The biggest gains in exports have been in foliage and rose plants and other nursery items. Canada has been the No. 1 customer.

Our imports of ornamentals have also trended up—from \$12 million in 1949 to nearly \$30 million in 1972. [Based on manuscript, Ornamentals—Production and Marketing Trends, by Stephen M. Raleigh, Commodity Economics Division.]

Peanuts Gain Weight In Per Capita Usage

Becoming more peanut conscious?

If so, join the crowd. ERS says that our consumption of shelled peanuts is running more than double the long-term growth rate of around 3 percent a year.

Total use of edible peanuts in the marketing year to end next July is forecast at 1.8 billion pounds—100 million over the 1972/73 level (farmers' stock basis). That works out to 8½ pounds per person and means we're now eating about 1½ pounds more than 10 years ago.

The perky demand may be tied to the high price of other protein foods, including beef, poultry, and dairy products. Apparently consumers are switching to lower-priced substitutes like peanut butter.

Peanut butter and salted peanuts are credited with all of the jump in this year's peanut consumption. Use in peanut candy and other products is down a bit.

[Based on *Fats and Oils Situation*, FOS-271.]

Taste of Honey

A taste for honey is on the rise . . . and so is the price.

Both here and abroad, "natural foods" are gaining popularity, and along with them, honey.

U.S. honey producers last year received an average of 44 cents a pound for all types of honey, up from 30 cents in 1972.

While the U.S. price has gone up sharply, world prices apparently were even higher. We exported 17 million pounds last year, four times a year earlier, and imported almost a fourth what we did in 1972.

[Based on *National Food Situation*, NFS-147, February 1974.]

Tomato Leads Vegetable Pack in Weekly Servings

The tomato is more at home with Americans than any other vegetable.

A consumer preference survey of 2,600 homemakers across the land rated the tomato No. 1 among 26 selected vegetables in terms of frequency of serving. Almost 3 out of 4 respondents reported serving tomatoes at least twice a week in the year preceding the interview.

Fresh tomatoes were favored over processed, with more than 4 in 5 buyers reporting they generally purchased tomatoes in this form. About 1 in 4 said they generally bought canned tomatoes.

Homemakers who generally bought fresh tomatoes tended to be under 35 years rather than 45 and older. Also they tended to be those homemakers with a higher education and/or those with a higher household income.

Why serve tomatoes? "Like the taste" was checked by 90 percent of the homemakers who used tomatoes regularly. Other reasons were "easy to prepare" and "can use in many different ways" (each of these reasons given by 43 percent of the homemakers), "don't get tired of" (41 percent) and "high in vitamins and minerals" (33 percent).

[Based on "Consumer Preferences for Fresh Tomatoes," speech by Patricia M. Stevens, National Economic Analysis Division, at Tomato Quality Workshop, Delray Beach, Fla., Feb. 11-12, 1974.]

Most for the Money: Frozen Squeeze Out Fresh Oranges

Frozen concentrated orange juice, which has been around for less than 30 years, costs today about half what you would pay to buy enough oranges to make a comparable amount of juice.

That's the indication from a recent ERS study comparing prices in two cities for 24 ounces of juice made from fresh and frozen products.

The study showed that Chicago prices in 1971/72 were 25 cents for a 6-ounce can of frozen concentrate and 54 cents for enough oranges to make the same amount of juice.

In New York, the cost was nearly 25 cents for the frozen concentrate and 52 cents for the oranges.

Growers traditionally get a bigger return for the oranges to be sold fresh than those used in concentrate since the oranges sold fresh are of a higher quality and growers have to handle, grade, and pack them with greater care.

Grower returns in 1971/72 in both cities, for instance, were 8.6 cents for enough oranges sold fresh to make 24 ounces of juice compared with 7.2 cents for oranges for concentrate.

On the basis of a consumer's orange juice dollar, though, the grower's share is smaller when the oranges are sold fresh, due to greater marketing costs.

The grower's share ranged during the 7 seasons studied from 9 to 25 percent of the consumer's orange juice dollar for oranges sold fresh and from 14 to 35 percent of the consumer's dollar for oranges sold for concentrate.

The marketing margin in Chicago for 1971/72 for a 6-ounce can of frozen concentrate was 18 cents for a 25-cent can, while for a comparable amount of oranges, it was 45.5 cents for 54 cents worth of fresh oranges.

[Based on *Florida's Fresh Orange Industry: Selected Marketing Practices, Costs, and Margins*, ERS-531, by Alfred J. Burns, Commodity Economics Division, and Warren K. Trotter, National Economic Analysis Division.]

Tailormade for overseas feeding programs, whey-soy beverage came to the rescue when Food for Peace officials found they couldn't no longer get nonfat dry milk.

Mountains of farm surpluses can quickly melt into molehills, and so it went with our stockpile of nonfat dry milk.

The burdensome surplus of the fifties and sixties has literally dried up with the steady falloff in milk production.

It came as a blow to dozens of poor countries who through the years had counted on our surplus of nonfat dry milk to feed millions of malnourished infants.

No choice. But the options were few for the administrators of the Food for Peace programs. Due to the shortage situation and the fact that nonfat dry milk was priced out of reach for overseas distribution, they had no alternative but to strike nonfat dry from the list of donated commodities.

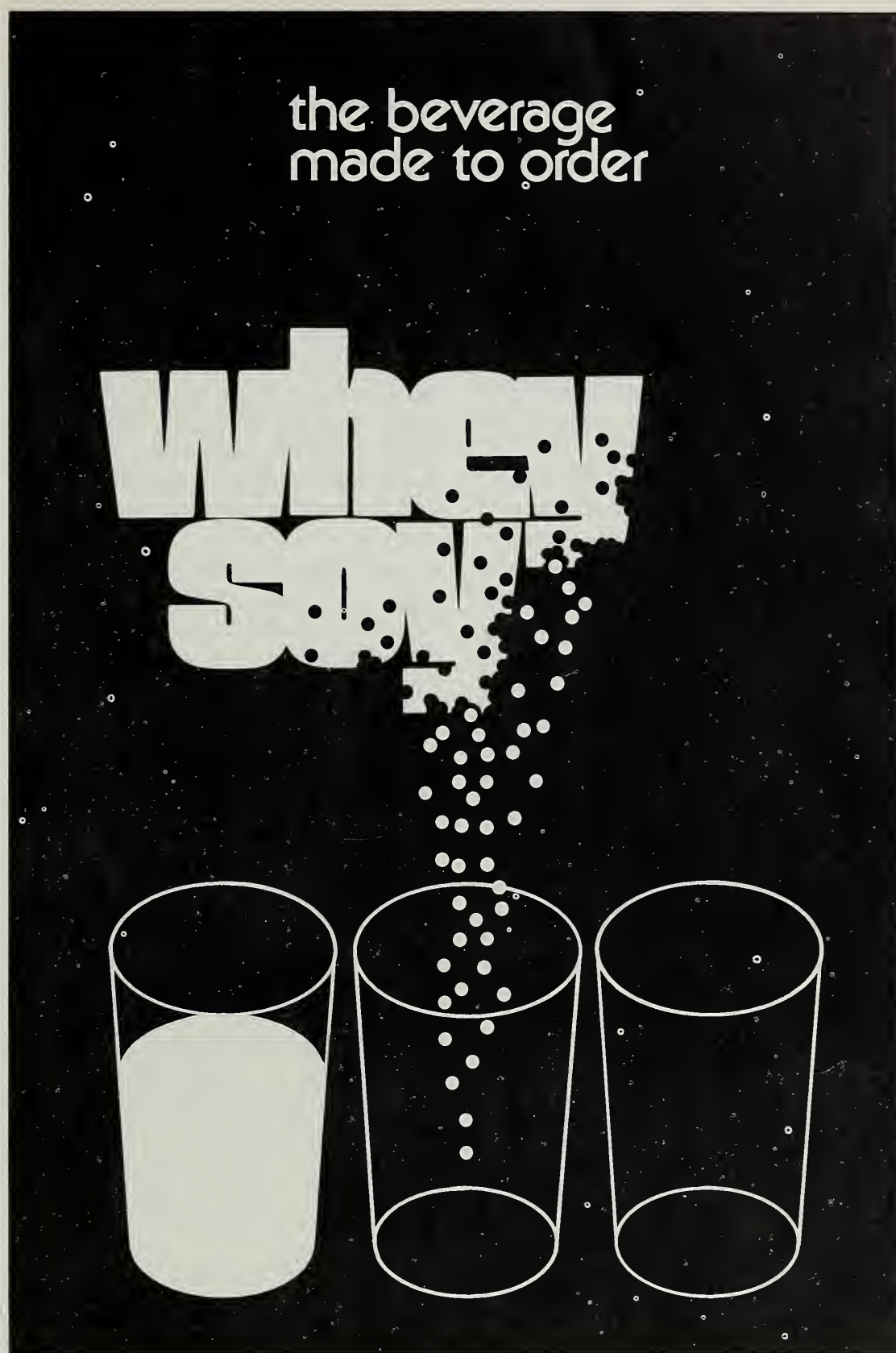
That was in the spring of 1973. Now, less than a year later, a new beverage has come to the rescue. Dubbed "whey-soy drink mix," it will soon arrive on foreign shores, eventually to reach over 10 million preschoolers, pregnant women, and nursing mothers in some 50 countries.

Whey-soy drink mix was made to order in a matter of months.

In early 1973, the Agency for International Development (A.I.D.) asked USDA and private industry to come up with a product that offered the same nutritional qualities as whole milk but which would cost less than nonfat dry to produce and to send overseas.

Order filled. Whey-soy, a version of which USDA dairy scientists had developed years before, more than filled the bill when it was presented to A.I.D. officials in July of 1973.

ERS researchers who were involved in this project report whey-soy costs less than 15 cents a quart in reconstituted form, including the charges to ship it overseas. From a



nutritional standpoint, whey-soy is judged to be an excellent source of protein, vitamins, and minerals. Water added, whey-soy looks like rich milk with lots of cream. It has a slight soybean flavor.

The beverage also got the nod from the U.S. dairy industry. The industry is searching for outlets for whey, the chief byproduct of cheese production.

Sweet whey makes up 41 percent of the whey-soy formula, the other

main ingredients being full fat soy flour (37 percent), soybean oil (12 percent), corn syrup solids (9 percent), and added vitamins and minerals (1 percent).

A growing proportion of fluid whey output is finding a market in livestock feeds and human food. Demand from bakeries in particular has been surging due to the nonfat dry milk shortage.

Yet according to the Whey Prod-

ucts Institute, less than 45 percent of fluid whey—totaling over 30 billion pounds in 1970—actually gets used. The rest presumably ends up in the sewer or in lakes, rivers, and streams, or on the land. Whey is so nutritious that in water bodies it leads to eutrophication—the growth of unwanted plants that rob the water of oxygen and eventually choke other plants and fish life.

Plentiful protein. As for the soybean, the other main ingredient in whey-soy, its virtues have been widely acclaimed. Soybeans provide the most plentiful and least expensive source of high quality vegetable protein to be had.

Whey-soy performed well in the laboratory. After a number of private firms had refined the original USDA formula, the beverage got the green light from technicians and nutritionists.

Among other tests on nutritional value, Johns Hopkins gave whey-soy beverage to convalescent malnourished children in Peru, and found that it exceeded the specifications. Whey-soy was also fed to animals to determine its Protein Efficiency ratio and Net Protein Utilization ratio,

two measures of protein quality. Whey-soy passed with flying colors.

There were experiments to assure whey-soy could withstand typical storage conditions overseas. The product had to be kept for at least a year without significant deterioration or loss of nutritional value.

But would kids like whey-soy beverage?

Tested on the scene. In what was perhaps the most extensive series of tests ever run for a product introduced in the Food for Peace programs, Natick Laboratories of the U.S. Army and two consultants of USDA were commissioned to try whey-soy on location. The object was to serve the beverage in a variety of geographic areas with a variety of cultures. Selected for the projects were Chile, the Dominican Republic, South Vietnam, India, Pakistan, and Sierra Leone.

After conducting over 4,000 tests with children and 2,000 with parents and staffs of feeding centers, the test team concluded there was a “high probability” that preschool feeding programs would take to whey-soy.

The criterion of acceptability was that, at the minimum, a certain percentage of the children would voluntarily drink at least 8 ounces of the beverage each day during the test periods lasting from 1 day to more than 2 months. The minimum percentages, determined by representatives of voluntary agencies serving in the various countries, ranged from 49 percent to 72 percent.

The exception. Only in Sierra Leone in Africa did whey-soy get an unfavorable reception. The test team reported this was probably because most children had been accustomed to eating nonfat dry milk in dry form in porridge, and the novelty of a beverage product may have turned them off.

Companies in the U.S. are now gearing up to make whey-soy in quantities that Food for Peace officials believe will be needed by poorer countries in years to come.

Beginning in April the plan is to ship 1 million pounds a month, then

to work up to 120 million pounds a year over the next 2 to 3 years.

At the height of nonfat dry milk shipments, the volume ran some 300 million pounds annually. Whey-soy may not fill this void entirely. Yet in its own right, as a food designed for infants and mothers who are the most susceptible victims of poor diet, it promises to stunt the growth of nutritional problems that have nagged the developing countries since we can remember.

[Based on special material from Byron L. Berntson, National Economic Analysis Division.]

U.S. Farm Exports Score Fattest Gain in History

U.S. farm exports took their longest stride in trade history in 1973, advancing 88 percent to a record \$17.7 billion.

The gain from 1972's \$9.4 billion was mainly due to bad weather and reduced harvests in the Soviet Union, Southeast Asia, Australia, parts of Latin America, and Africa, said ERS trade specialists.

In particular, demand for U.S. soybeans and meal boosted the trade total. Described as an “astronomical” increase, trade experts reported exports of soybeans went up about 50 million bushels to 486 million and oilcake and meal exports by over 1 million short tons to 5.3 million. This was caused largely by a steep dropoff in Peru's fishmeal production, exports of which sank to an estimated 325,000 metric tons in 1973 from a normal 1.7 million tons.

Foreign demand for U.S. food was further spurred by a big expansion in economies of many markets combined with their record holdings of foreign exchange.

Depreciation of the U.S. dollar also provided a shot in the arm for farm exports. Overall, the dollar depreciated about 15 percent in major commercial markets during 1971-73, meaning other countries could buy 15 percent more U.S. goods for a given amount of their currency.

Three-fifths of the total increase in

Priorities

Up against a tightened budget and high food prices, Food for Peace officials have reordered their priorities in recent years.

Their overseas feeding programs now focus on the group that's the most vulnerable to nutritional problems—preschool children and pregnant and nursing women. Denied a healthy diet early in life, youngsters can develop physical and mental retardation that hobbles them throughout adulthood.

With the change in program emphasis came whey-soy drink mix . . . a new product tailor-made for pre-schoolers and mothers in less developed countries. It was designed as a supplementary food to be taken along with such staples as wheat or rice. But whey-soy can also serve as an infant's sole source of nutrients in emergency situations.

last year's agricultural exports came from wheat and feed grains. Other important contributors were soybeans, protein meal, tobacco, cotton, fruits, nuts, vegetables, meats, cattle hides, and poultry meats.

Farm exports swelled 30 percent in volume over 1972 and accounted for about two-fifths of the total value gain, the remainder due to price.

All major customers took more U.S. commodities. Such traditional markets as Western Europe and Japan grew at a phenomenal rate because of higher consumption and shortfalls from other key suppliers.

One-fifth of the export expansion is credited to record shipments to the U.S.S.R. and the People's Republic of China. Farm exports to Japan set a record \$3 billion—up \$1.6 billion from 1972. Exports also set new highs to developing countries in Latin America, Asia, and Africa.

[Based on an article in *Foreign Agricultural Trade of the U.S.*, February 1974, by Dewain Rahe, Foreign Demand and Competition Division.]

Japan Spending Millions To Develop Alternate Sources of Farm Imports

Japan, the U.S. farmer's best overseas customer, expects to invest over \$15 million next year to develop alternative sources of farm imports. The money will go into agricultural projects in countries that show promise of becoming larger exporters to the Japanese market.

With more suppliers to choose from, the Japanese believe they would be less likely to be caught short when major exporters cannot meet Japan's requirements at favorable prices.

Last year Japan took \$3 billion of U.S. agricultural products. The accelerated drive toward import diversification probably will not affect our sales to a great degree, but certain commodities may be up against stiffer competition if the Japanese effort succeeds.

In all, 43 projects in 15 countries are under consideration, and 25 proj-

ects will be launched in 1974.

Among the countries and commodities for which development schemes are planned—

Philippines (corn, beef cattle, and oil palms); Mexico (corn, grain sorghum, and soybeans); Brazil (soybeans and corn); Argentina (corn and grain sorghum); Thailand (corn); and Australia (cereals and seeds).

Development aid, including both financial and technical help, will go mainly for establishing irrigation systems, cultivation centers, drying and storage facilities, and seedling distribution centers.

The projects will be administered and partly financed from loans by a new Overseas Agricultural Development Corporation. Some of the projects will be joint undertakings of the Japanese Government and foreign countries. Others will involve government assistance to Japanese firms.

[Based on special material from Bruce L. Greenshields, Foreign Demand and Competition Division.]

EXPORT EXCERPTS...

- U.S. farm exports last fiscal year, at a record \$12.9 billion, were equivalent to about \$1 in \$5 of 1972's farm marketings of \$60.7 billion.

- It took 85 million acres of cropland to produce commodities for export, or 1 out of every 4 harvested acres. Foreign countries provided outlets for three-fourths of our wheat production, more than half the soybeans and rice, and over one-third the cotton, tobacco, and tallow. As a share of farm sales, 35 percent of our corn and 29 percent of our grain sorghum were export transactions.

- To produce the commodities exported in fiscal 1973 required the labor of 479,000 U.S. farm workers. They supplied nearly one-fifth of the world's total agricultural exports including nine-tenths of the soybeans,

three-fifths the feed grains, two-fifths the wheat, one-third the tobacco, and one-fourth the cotton.

- Over nine-tenths of fiscal 1973 farm exports were commercial sales worth a record \$11.9 billion. They accounted for all the \$4.9 billion increase from 1972. Remaining exports were concessional sales—mainly under P.L. 480—which were off 8 percent from 1972.

- Japan was top buyer, taking \$2.3 billion, or a record 18 percent of our total farm exports. The growth in sales to Japan—\$1.13 billion—accounted for about 23 percent of the total fiscal year gain.

- U.S. agricultural exports went to some 164 countries but 15 took 72 percent of the total. After Japan, the leading markets were, the Netherlands, the U.S.S.R., Canada, West Germany, the United Kingdom,

Italy, and the Republic of Korea.

- Exports to Eastern Europe and the U.S.S.R. nearly tripled to an all-time high of \$1.4 billion. Most (\$957 million) went to the U.S.S.R., mainly wheat, feed grains, soybeans, cattle hides, and linseed oil. Poland, Yugoslavia, and Romania were other major markets in the area.

- The People's Republic of China, after 20 years of trade isolation from the U.S., bought \$207 million in farm products. They represented nine-tenths of all U.S. exports to that country in fiscal 1973. U.S. grain sales to China were \$103 million and made up nearly one-fourth of its grain imports from all countries. Other exports to China included cotton, soybean oil, and hides.

[Based on an article by Louise Perkins, Foreign Demand and Competition Division, in *Foreign Agricultural Trade of the U.S.*, February 1974.]

Recent Publications

Cotton Gin Operating Costs in the San Joaquin Valley of California—1971/72. Charles A. Wilmot, Dale L. Shaw, and Betty K. Heron, Commodity Economics Division. ERS-538.

This report is part of a series of ginning cost studies conducted by USDA in the major producing areas of the Cotton Belt. Other geographic areas now covered in annual reports are West Texas, the Blacklands of Texas, the Lower Rio Grande Valley of Texas, and the Mississippi Delta. Findings are derived from gin operating cost records mailed in annually from a sample of gins in each area. Area ginners use these findings as benchmarks or guides in evaluating the efficiencies of their own operations.

Market Structure, Institutions, and Performance in the Fluid Milk Industry. Alden C. Manchester, National Economic Analysis Division. AER-248.

In its simplest dimension—number of plants—market structure appears to have changed dramatically in U.S. fluid milk markets in the postwar period. The first section of this report examines the changes in plant numbers and market shares in recent years and looks at the differences between markets. The second section considers the changes in the institutions which regulate and affect the marketing of fluid milk products.

Consumers' Buying Practices, Uses, and Preferences for Fibers in Retail Piece Goods. Evelyn F. Kaitz, National Economic Analysis Division, and Thomas M. Stack, Market Facts Inc. MRR-1013.

The main objective of this survey was to study the attitudes of purchasers of retail piece goods that affect their selection and use of materials made from agricultural products or synthetic fibers. Also surveyed were preferences for woven, knit, or pile fabric; sewing habits; type of store in which material or fabric is usually purchased; awareness of and experience with washable wool; and reaction to a new permanent press concept.

The Cost of Air Pollution Control To Cotton Ginners. Charles L. Wilmot and Zolon M. Looney, Commodity Economics Division, and Oliver L. McCaskill, Agricultural Research Service. ERS-536.

This study found it would cost over \$100 million to bring all cotton gins into compliance with the strictest existing pollution control regulations. Annual cost to the industry would exceed \$28.5 million.

Single copies of the publications listed here are available free from The Farm Index, Economic Research Service, Rm. 1459-So., U.S. Department of Agriculture, Washington, D.C. 20250. However, publications indicated by () may be obtained only by writing to the experiment station or university. For addresses, see July and December issues of The Farm Index.*

Economics of Agriculture: Reports and Publications Issued or Sponsored by USDA's Economic Research Service, July 1971-June 1972. Eleanor B. Lanier, Office of Administrator. Supplement No. 4 to ERS-368.

This list of research publications is a source of reference for the published materials of ERS from July 1971 through June 1972. Articles in technical and professional journals—both within and outside USDA—are listed, as well as proceedings of symposia and conferences that report ERS research results.

Entrepreneurial Control in Farming. Marshall Harris, Natural Resource Economics Division, University of Iowa. ERS-542.

The central thesis of the study is that important elements of entrepreneurial control and decisionmaking are being shifted from farm firms to off-farm businesses and government agencies. Examples of elements of entrepreneurship discussed include: transfer of decisionmaking

under production contracts, division of ownership and management under farm leases, and mutual sharing of control in farmer cooperatives.

Farmland Tenure Patterns in the United States. Bruce B. Johnson, National Economic Analysis Division. AER-249.

This study brings into focus the relationships that govern access to and use of the farmland resource. The objectives of this report include identifying differences in farmland ownership and rental patterns by various characteristics of the farming operation and the operator and measuring and analyzing the degree of farmland ownership and rental concentration and the relative importance of farmland rented from non-farm landlords.

Grain Stocks Issues and Alternatives—A Progress Report. W. R. Bailey, Commodity Economics Division; F. A. Kutish, Office of the ERS Administrator; and A. S. Rojko, Foreign Demand and Competition Division. Unnumbered report.

The issues are whether stocks should be stabilized within some boundaries and if so, how to accomplish the task. Should it be left mainly to private initiative and the existing market institutions, or should other possibilities be developed? If public programs were chosen, how could they be used with other supply-manipulating devices already at hand?

Improving Marketing Systems in Developing Countries: An Approach to Identifying Problems and Strengthening Technical Assistance. Economic Research Service in cooperation with U.S. Agency for International Development. FAER-93.

This report is part of the work undertaken by USDA under a special Participating Agency Service Agreement with AID for activities concerned with the improvement of food marketing in developing countries.

Economic Trends

Item	Unit or Base Period	1967	Year	1972 Dec.	Oct.	1973 Nov.	Dec.
Prices:							
Prices received by farmers	1967=100	—	126	137	184	181	184
Crops	1967=100	—	115	127	182	181	193
Livestock and products	1967=100	—	134	145	187	182	178
Prices paid, interest, taxes and wage rates	1967=100	—	127	131	150	151	154
Family living items	1967=100	—	124	127	142	146	147
Production items	1967=100	—	122	129	153	153	156
Ratio ¹	1967=100	—	100	105	123	120	119
Wholesale prices, all commodities	1967=100	—	119.1	122.9	139.5	141.8	145.3
Industrial commodities	1967=100	—	117.9	119.4	129.6	133.5	137.1
Farm products	1967=100	—	125.0	137.5	188.4	184.0	187.2
Processed foods and feeds	1967=100	—	120.8	129.4	153.1	151.9	155.7
Consumer price index, all items	1967=100	—	125.3	127.3	136.6	137.6	138.5
Food	1967=100	—	123.5	126.0	148.4	150.0	151.3
Farm Food Market Basket: ²							
Retail cost	1967=100	—	121.3	123.8	149.9	151.2	152.7
Farm value	1967=100	—	125.1	132.8	174.4	169.2	172.3
Farm-retail spread	1967=100	—	118.9	118.1	134.4	139.8	140.3
Farmers' share of retail cost	Percent	—	40	42	45	43	44
Farm Income: ³							
Volume of farm marketings	1967=100	—	112	126	165	159	130
Cash receipts from farm marketings	Million dollars	42,693	60,671	5,901	11,367	10,307	8,400
Crops	Million dollars	18,434	25,075	3,038	6,757	6,320	4,800
Livestock and products	Million dollars	24,259	35,596	2,863	4,610	3,987	3,600
Realized gross income ⁴	Billion dollars	49.0	68.9	72.8	—	—	108.3
Farm production expenses ⁴	Billion dollars	34.8	49.2	51.5	—	—	77.9
Realized net income ⁴	Billion dollars	14.2	19.7	21.3	—	—	30.4
Agricultural Trade:							
Agricultural exports	Million dollars	—	9,404	1,109	1,734	2,082	1,976
Agricultural imports	Million dollars	—	6,459	550	710	857	759
Land Values:							
Average value per acre	Dollars	⁶ 168	⁷ 219	—	—	—	⁸ 247
Total value of farm real estate	Billion dollars	⁶ 181.9	⁷ 230.5	—	—	—	⁸ 258.7
Gross National Product: ⁴							
Consumption	Billion dollars	793.9	1,155.2	1,199.2	—	—	1,337.5
Investment	Billion dollars	492.1	726.5	752.6	—	—	825.2
Government expenditures	Billion dollars	116.6	178.3	189.4	—	—	213.9
Net exports	Billion dollars	180.1	255.0	260.7	—	—	285.6
Income and Spending: ⁵							
Personal income, annual rate	Billion dollars	5.2	—4.6	—3.5	—	—	12.8
Total retail sales, monthly rate	Million dollars	629.3	939.2	983.6	1,068.5	1,079.4	1,089.0
Retail sales of food group, monthly rate	Million dollars	26,151	37,365	39,417	43,081	42,976	41,976
Employment and Wages: ⁵							
Total civilian employment	Millions	5,759	7,918	8,948	9,210	9,135	9,168
Agricultural	Millions	74.4	⁹ 81.7	⁹ 82.8	⁹ 85.6	⁹ 85.6	⁹ 85.7
Rate of unemployment	Percent	3.8	⁹ 3.5	⁹ 3.6	⁹ 3.5	⁹ 3.6	⁹ 3.6
Workweek in manufacturing	Hours	3.8	5.6	5.1	4.6	4.7	4.8
Hourly earnings in manufacturing, unadjusted	Dollars	40.6	40.6	40.7	40.6	40.6	40.7
Industrial Production: ⁵							
1967 = 100		—	115	121	127	128	127
Manufacturers' Shipments and Inventories: ⁵							
Total shipments, monthly rate	Million dollars	46,449	62,466	67,104	75,269	77,019	75,548
Total inventories, book value end of month	Million dollars	84,655	107,719	107,719	117,224	118,435	120,591
Total new orders, monthly rate	Million dollars	46,763	63,514	68,908	77,758	79,441	79,660

¹ Ratio of index of prices received by farmers to index of prices paid, interest, taxes, and farm wage rates. ² Average annual quantities of farm food products purchased by urban wage earner and clerical worker households (including those of single workers living alone) in 1959-61—estimated monthly. ³ Annual and quarterly data are on 50-State basis. ⁴ Annual rates seasonally adjusted fourth quarter. ⁵ Seasonally adjusted. ⁶ As of March 1, 1967. ⁷ As of March 1, 1972. ⁸ As of March 1, 1973. ⁹ Beginning January 1972 data not strictly comparable with prior data because of adjustment to 1970 Census data.

Sources: U.S. Dept. of Agriculture (Farm Income Situation, Marketing and Transportation Situation, Agricultural Prices, Foreign Agricultural Trade and Farm Real Estate Market Developments); U.S. Dept. of Commerce (Current Industrial Reports, Business News Reports, Monthly Retail Trade Report and Survey of Current Business); and U.S. Dept. of Labor (The Labor Force and Wholesale Price Index).

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